

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 DODE-00 H-01
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5327
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY TOKYO

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USEEC

PARIS ALSO FOR OECD

E.O. 11652: N/A
TAGS: ETRD, EIND, EEC
SUBJECT: EUROPEAN METAL PROCESSORS' CONCERNS OVER
DAVIGNON STEEL PLAN

1. STEEL PROCESSORS HAVE MET WITH EC COMMISSION OFFICIALS
ON THREE OCCASIONS IN THE LAST FEW WEEKS TO COMPLAIN THAT
HIGH PRICES FOR STEEL MAY TRANSFER THE CRISIS DOWNSTREAM
TO THE PROCESSING SECTOR. ACCORDING TO COMMISSION STEEL
OFFICIALS, PROCESSING INDUSTRY OFFICIALS FEAR THAT THE NEW
DAVIGNON GUIDELINE AND OBLIGATORY MINIMUM PRICES WILL
PARTICULARLY AFFECT THOSE FIRMS WHICH RELY SUBSTANTIALLY
ON EXPORTS AND/OR WHOSE ACTIVITIES ARE NOT INTEGRATED WITH
STEEL PRODUCTION. THEY ARE ALSO WORRIED ABOUT LOSING
DOMESTIC MARKETS TO FOREIGN PROCESSORS WHO HAVE ACCESS
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TO CHEAP STEEL AND TO THOSE INTEGRATED PRODUCERS WHO MAY
PRACTICE INDIRECT DUMPING OF STEEL BY SHIFTING THEIR
DUMPING FROM CRUDE STEEL TO FABRICATED PRODUCTS.

2. THE PROBLEM IS PARTICULARLY ACUTE, COMMISSION OFFICIALS
SAY, FOR THE FIRST TRANSFORMATION INDUSTRIES: WIRE DRAWING,
TUBES, ETC. THESE PRODUCTS CONTAIN THE HIGHEST PERCENTAGE

OF STEEL AND THE INDUSTRIES CONCERNED ARE GENERALLY
INEFFICIENT.

3. THE FABRICATORS HAVE ASKED THE COMMISSION FOR THREE
THINGS: THE INCLUSION OF STEEL-BASED PRODUCTS IN THE
BILATERAL NEGOTIATIONS BEING HELD WITH NON-EUROPEAN
TRADING PARTNERS, AN AUTOMATIC LICENSING SYSTEM FOR SUCH
PRODUCTS, AND THE RECOURSE TO SWIFT ANTI-DUMPING PRO-
CEDURES SHOULD AN INVASION OF PROCESSED STEEL PRODUCTS
DEVELOP.

4. COMMISSION OFFICIALS HAVE TOLD MISSION THAT THEY HAVE
TAKEN THE GENERAL PROBLEM UNDER STUDY BUT THAT NO DECISION
HAS BEEN REACHED ON WHAT ACTION SHOULD BE TAKEN. THE PROB-
LEM IS COMPOUNDED BY THE MULTIPLICITY OF INTERESTS IS
INVOLVED. ONE POSSIBILITY UNDER SERIOUS CONSIDERATION
TO ALLOW PRODUCERS TO MAKE REBATES FOR DELIVERIES OF STEEL
WHICH WOULD BE INCORPORATED INTO FIRST TRANSFORMATION
PRODUCTS INTENDED FOR EXPORT. ALSO UNDER CONSIDERATION IS

AN EXEMPTION FROM DAVIGNON PLAN PRICE RULES FOR
STEEL DESTINED FOR USE IN SHIPBUILDING AND DRILLING PLAT-
FORM CONSTRUCTION.

5. MEANWHILE THE COMMISSION HAS MADE ONE CONCESSION TO
THE PROCESSORS. IT WILL ALLOW STEEL USERS WITH STEEL
SUPPLY CONTRACTS TO CONTINUE TO PURCHASE
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THE STEEL AT THE ORIGINAL CONTRACTED PRICE PROVIDED THE
DEALS (WITH FIXED AMOUNTS AND PRICES) WERE CONCLUDED
BEFORE JANUARY 1, 1978. THE COMMISSION CONDITIONED THIS
EXEMPTION ON THE EXECUTION OF ALMOST ALL OF THESE CONTRACTS
BEFORE JULY 1 AND IT EXPECTS THAT MOST OF THE CONTRACTS
WILL BE CARRIED OUT BY MARCH 31.

6. THE SUBJECT IS LIKELY TO COME UP AGAIN MARCH 10 WHEN
COMMISSIONER DAVIGNON MEETS WITH THE ECSC CONSULTATIVE
COMMITTEE. HINTON

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